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Press release

Sartorius Stedim Biotech adjusts its guidance for fiscal year 2024 and presents results for H1 2024

In a continuously challenging and volatile market environment for the life science sector, Sartorius Stedim Biotech, a leading partner of the biopharmaceutical industry, closed the first half of the fiscal year with a positive trend in sales revenue development. In view of the high volatility and the limited predictability, the company provides a more cautious outlook for the second half of the year and adjusts its guidance for the fiscal year 2024.

Business development[1]

Sartorius Stedim Biotech offers a wide range of innovative technologies for the manufacture of biopharmaceuticals such as monoclonal antibodies, vaccines, and cell and gene therapeutics. In the first half of the fiscal year, the company recorded sales revenue of 1,373 million euros, which corresponds to a slight decline of 1.2 percent in constant currencies (organic: - 3.8 percent; reported: - 2.0 percent). This includes a growth contribution from acquisitions[2] of 2.6 percentage points. On a quarterly basis, sales revenue increased by 4.7 percent between April and June compared to the prior-year quarter. In view of advanced inventory reductions on the part of customers, order intake[1] rose by 11.2 percent in constant currencies (reported: 10.4 percent) to 1,261 million euros in the first six months, while the increasing demand in the consumables business was dampened by the continuing reluctance to invest across the industry.

In the regions, business performance showed a mixed picture: While EMEA[3] recorded an upturn in sales revenue of 4.4 percent in constant currencies, in the Americas region, sales revenue declined by 6.2 percent compared to the prior-year period and in Asia/Pacific the continued market weakness in China led to a slight decrease of 2.4 percent in constant currencies.

Underlying EBITDA decreased by 6.8 percent to 387 million euros in the first six months mainly due to volume and product mix effects. The respective margin stood at a robust level of 28.2 percent (prior- year period: 29.7 percent).

Underlying net profit[1] was 165 million euros, compared with 242 million euros in the first half of 2023. Net profit amounted to 104 million euros as against 244 million euros in the prior-year period. Underlying earnings per share stood at 1.71 euros (prior-year period: 2.62 euros) and earnings per share at 1.08 euros (prior-year period: 2.65 euros).

As of June 30, 2024, Sartorius Stedim Biotech employed 10,382 people worldwide, after 11,135 in the prior-year period (December 31, 2023: 10,662 people). The reduction resulted primarily from the expiry of fixed-term employment contracts and regular attrition.

Key financial indicators

Sartorius Stedim Biotech's key financial indicators remain at a robust level. Equity was 3,924 million euros as of June 30, 2024, while the equity ratio[1] increased to 48.6 percent (December 31, 2023: 2,674 million euros and 34,6 percent), mainly as a result of the equity measures successfully completed at the beginning of February 2024.

Net operating cash flow stood at 272 million euros compared with 312 million euros in the prior-year period. Investments to support future growth through global capacity expansions remained high in the first six months at 189 million euros and in line with planning, however, below the previous year (262 million euros). The ratio of capital expenditures (capex) to sales revenue was 13.8 percent compared to 18.7 percent in the prior-year period. At the same time, measures to reduce working capital significantly increased cash flow. As a result, gross debt was reduced to 2,919 million euros (December 31, 2023: 3,682 million euros), net debt to 2,465 million euros and the ratio of net debt to underlying EBITDA[1] to 3.3 (December 31, 2023: 3,565 million euros and 4.5).

Outlook for fiscal 2024 de-risked

The life science industry continues to show a mixed picture with no stable positive momentum. While demand normalization for some products has progressed, customers are continuing to reduce inventories in other product groups or remain reluctant to invest. Despite having achieved the targets for the first half of 2024, company management is deliberately taking a conservative and cautious approach to the outlook of the remainder of the year and does not expect an increase in demand until the final quarter.

Against the backdrop of continuing subdued demand, Sartorius Stedim Biotech now expects sales for fiscal year 2024 to be at prior-year level, with a bandwidth of low single-digit negative to low single-digit positive sales development (previously: sales growth in the mid to high single-digit percentage range). The Polyplus acquisition is forecast to contribute around 2 percentage points to non-organic sales growth.

In terms of profitability, the company anticipates increasingly positive effects from its cost-cutting program in the amount of over 85 million euros as the year progresses, although these will not fully offset the impact of the lower volume expectations. In addition, the measures to reduce own inventories should lead to an additional dilution of EBITDA due to lower production capacity utilization.

Against this backdrop, Sartorius Stedim Biotech now projects an underlying EBITDA margin of 27 to 29 percent (previously: above 30 percent) for the full year 2024.

Following adjustments to its capex plans in line with the current business development, the ratio of capital expenditure in relation to sales revenue is now forecast to be around 12 percent (previously: around 13 percent) in 2024 while the ratio of net debt to underlying EBITDA should be approximately 2.5 to 3.0 (previously: slightly below 2.5).

The actual mixed and volatile business development following the pandemic and the resulting limited predictability of short-term business development have no impact on the fundamentally positive growth drivers of the life science and biopharmaceutical markets. This is also underlined by latest data on market approvals and clinical pipelines which are very positive, particularly in the field of modern therapies such as cell and gene therapeutics. Accordingly, the company is currently not changing its medium-term targets up to 2028.

Management points out that the dynamics and volatilities in the industry have increased significantly in recent years. In addition, uncertainties due to the changed geopolitical situation, such as the emerging decoupling tendencies of various countries, are playing a greater role. This results in higher uncertainty when forecasting business figures.

Forecasts have been prepared based on historical information and are consistent with accounting policies. All forecast figures are based on constant currencies, as in past years. Management points out that dynamics and volatilities in the industry have increased significantly in recent years. In addition, uncertainties due to the changed geopolitical situation, such as the emerging decoupling tendencies of various countries, are playing a greater role. This results in higher uncertainty when forecasting business figures.

1 Sartorius Stedim Biotech publishes alternative performance measures that are not defined by international accounting standards. These are determined with the aim of improving the comparability of business performance over time and within the industry.

- Constant currencies: figures given in constant currencies eliminate the impact of changes in exchange rates by applying the same exchange rate for the current and the previous period
- Organic: organic growth figures exclude the impact from changes in exchange rates and changes in the scope of consolidation
- Order intake: all customer orders contractually concluded and booked during the respective reporting period
- Underlying EBITDA: earnings before interest, taxes, depreciation and amortization and adjusted for extraordinary items
- Underlying net profit: profit for the period after non-controlling interest, adjusted for extraordinary items and amortization, and based on the normalized financial result and the normalized tax rate
- Equity ratio: equity in relation to the balance sheet total
- Ratio of net debt to underlying EBITDA: quotient of net debt and underlying EBITDA over the past 12 months, including the pro forma amount contributed by acquisitions for this period

2 Acquisition of Polyplus
3 EMEA = Europe, Middle East, Africa

Disclosure of inside information according to Article 17 MAR

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